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CHARLES ELMORE

IN THE

Supreme Court of the United States

OCTOBER TERM, 1930

No. 179

FARBWERKE vormals MEISTER LUCIUS & BRUNING, DEUTSCHE GOLD & SILBER SCHEIDE ANSTALT vorm. ROESSLER, and BADISCHE-ANILIN & SODA-FABRIK,

Petitioners,

against

CHEMICAL FOUNDATION, INC.; E. I. duPONT deNEMOURS & CO., and WALTER O. WOODS, as Treasurer of the United States,

Respondents.

No. 180

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BADISCHE-ANILIN & SODA-FABRIK,

Petitioner,

against

E. I. duPONT deNEMOURS & CO., and WALTER O. WOODS, as Treasurer of the United States,

Respondents.

REPLY BRIEF OF PETITIONER FARBWERKE VORMALS MEISTER LUCIUS & BRUNING.

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REPLY BRIEF OF PETITIONER FARBWERKE VORMALS MEISTER LUCIUS & BRUNING.

This brief will be confined to a consideration (1) of the effect of the decision of *May* v. *Saginaw County*, 32 Fed. 629 relied on by respondents to support the instrument of seizure as effecting a seizure of the right to accrued royalties as well as the patents, and (2) of certain executive orders and other instruments relied on by respondents for the same purpose. Neither of these questions were discussed by way of anticipation in petitioner's opening brief. In respect of the first it is the position of petitioner (1) that *May* v. *Saginaw County, supra*, which is not only opposed to the authorities cited in our opening brief, but has never been followed in any subsequent case, is not expressive of the existing law, and (2) that even if expressive of the existing rule it is inapplicable in the present case because, by the express seizure of damages for past infringements and the omission expressly to seize or to make reference to accrued royalties, the latter were excluded. In respect of the second, the position of the petitioners is that to the extent, if any, that executive orders and other instruments may be considered, such documents as a whole, so far from supporting the contentions of the respondent, support those of the petitioner.

1. THE INSTRUMENT OF SEIZURE WAS INSUFFICIENT TO SEIZE THE ACCRUED ROYALTIES. MAY V. SAGINAW COUNTY IS NOT EXPRESSIVE OF THE RULE ON THE SUBJECT, AND IF SO, IS NOT APPLICABLE.

In *May* v. *Saginaw County, supra*, Brown, then District Judge, criticized both *May* v. *Juneau*, 30 Fed. 241, which involved precisely the same assignment therein

held by Judge Bunn to be insufficient for the purpose in question and *Dibble* v. *Augur*, 7 Blatch. 86 (91), Fed. Cas. No. 3879.*

May v. *Saginaw County, supra,* has never been cited or followed on the point in question in any other case. On the other hand, *May* v. *Juneau, supra,* and *Dibble* v. *Augur, supra,* have been cited in other cases, including cases in this Court, as expressive of the rule governing the assignment of patents.

In *United States* v. *Loughrey,* 172 U. S. 206 (211-212) the Court said:

> "Neither a deed of land nor an assignment of a patent for an invention carries with it a right of action for prior trespasses or infringements. Such rights of action are, it is true, now assignable by the statutes of most of the States, but they only pass with a conveyance of the property itself where the language is clear and explicit to that effect," citing among other cases *Dibble* v. *Augur, supra,* and *May* v. *Juneau, supra.*

The opinion in the above case was by Mr. Justice Brown and the citation therein of these two cases, both of

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*The assignment in *May* v. *Juneau, supra,* and in *May* v. *Saginaw County,* was of "all the right, title, interest, claims, and demands whatsoever which the estate of said Edwin May, deceased, has in, to, by, under, and through the said improvements, and the letters patent and extensions thereof therefor aforesaid; * * *" The assignment in *Dibble* v. *Augur* was of all "right, title, interest, claim or demand whatsoever in, to or under" the patent.

It is true, as pointed out in brief of respondent duPont that in *Dibble* v. *Augur,* Judge Blatchford called attention to a second instrument, whereby damages for past infringements were expressly reserved by the assignor, but the quotation from his opinion (our opening brief, pp. 24-25) shows that the Court held the words themselves to be insufficient in themselves to pass title to such claims irrespective of the second instrument construed therewith.

which had been criticized by him in his prior decision, as District Judge, in *May* v. *Saginaw County, supra,* as authority for the rule stated, and the failure to refer to that case at all is significant both in respect of his later views and of the views of the Court as a whole.

In *United States* v. *Loughrey,* which was a case of past trespasses on real estate committed prior to the plaintiff's ownership the Court thus treats such a case and one for past damages for patent infringment as similar in character. The decision in *May* v. *Juneau, supra,* is in part based upon the same assumption, Judge Bunn pointing out that the words of the assignment were no more sufficient to convey the right to damages for past infringement than would the conveyance of a farm be sufficient to convey the right to sue for trespasses committed upon the land previous thereto. In the quotation from the opinion of the late Chief Justice in *Superior Drill Company* v. *Nye Manufacturing Co.,* 98 Fed. 738, cited at page 25 of our opening brief, claims for damages for past infringements are likewise described as "claims for damages for past trespasses" which "do not pass unless specifically assigned". As stated in our opening brief, *Dibble* v. *Augur,* is likewise cited in the opinion of the late Chief Justice in *Crown Die & Tool Company* v. *Nye Tool & Machinery Works,* 261 U. S. 24, in which opinion in respect of another decision by Judge Blatchford, the statement that he "subsequently became a Justice of this Court and had great experience in the administration of the patent law" is significant as to the authority to be given to his decisions in respect of such matters.

Under the rule stated in *United States* v. *Loughrey,* the right to past damages passes with a conveyance of

the patent, itself, only "where the language is clear and explicit to that effect". To the same effect are the authorities cited in our opening brief (p. 21). That the conveyance of a patent and of "all right, title and interest with respect thereto" is not language clear and explicit in terms and does not operate to convey the right to recover for past trespasses on the patent growing out of infringement any more than a conveyance of real estate, together with all right, title and interest with respect thereto would assign the right to recover for past trespasses thereon would appear to be clear. The precise point in question has never apparently been decided by this Court. In all cases in which it has arisen, however, with the exception of *May* v. *Saginaw County* the assignment of a patent and of all right, title and interest therein has been held insufficient to convey the right to recover past damages for infringement. *Dibble* v. *Augur, supra, May* v. *Juneau, supra, Jones* v. *Berger,* 58 Fed. 1006, *Herman* v. *Detroit Shipbuilding Company,* 295 Fed. 423, and the rule of these cases appears to have the implied approval of this Court through the citations above noted.

In any event, in the face of these authorities, the assignment of a patent, together with all right, title and interest with respect thereto would at least leave in doubt the question as to whether damages for past infringement had been likewise assigned and the instrument of seizure, without doubt, specifically provided for the seizure of such rights in order to remove such uncertainty. Even if it should be held that, contrary to the weight of authority, the rule of *May* v. *Saginaw County, supra,* should govern, by the express seizure of the right to damages

for past infringement and the omission expressly to seize or to mention accrued royalties under presidential licenses, the latter were excluded for the reasons set forth in our opening brief. (pp. 22-28) In addition to the arguments therein made, reference should be made to the familiar rule that in construing an instrument none of its words are to be regarded as superfluous or redundant. If the general words employed were sufficient to seize the right to accrued royalties they were sufficient to seize the right to past damages and the express mention thereof was redundant and superfluous. Moreover, unlike some of the later instruments referred to by respondents, the phrase "including past damages," etc. following the general words of seizure was not accompanied by the phrase "not thereby limiting the generality of the foregoing" or by any other words of similar import customarily employed where general words are followed by particularization.

Respondents' contention that the only effect intended by the provision that the instrument of seizure "if recorded shall impart the same notice and have the same force and effect as a duly executed conveyance, transfer or assignment," was to give the same notice as by the recording of a voluntary assignment, is a construction which fails to give any effect whatsoever to the words "have the same force and effect" which follow the provision as to notice. If Congress had intended the effect of the assignment and its recordation to be limited to the rights of third parties and to the impartation of notice thereto, the words which follow are entirely superfluous and meaningless. Moreover, if respondents' contention

in respect of the effect of this particular statutory provision is correct, the instrument was nevertheless insufficient to effect a seizure of the accrued royalties for all of the reasons stated above including the express seizure of past damages and the omission expressly to seize or to mention accrued royalties.

2. THE EXECUTIVE ORDERS OF THE PRESIDENT, RELIED ON BY THE RESPONDENTS, SO FAR FROM SUPPORTING THE POSITION OF THE RESPONDENTS, SUPPORT THAT OF PETITIONERS.

Respondent duPont refers to a provision in the executive order of February 26, 1918 conferring general powers upon the Alien Property Custodian in respect of the seizure of property reading (R. 104):

> "A demand for the conveyance, transfer, assignment, delivery and payment of money or other property unless expressly qualified or limited shall be deemed to include every right, title, interest, and estate of the money in and (fol. 136) to the money or other property demanded as well as every power and authority of the enemy thereover."

The immediately preceding sentence of this order reads:

> "* * * Or the Alien Property Custodian may qualify or limit any such demand in such manner to such extent as he may in any case see fit and (without limiting the generality of the power to qualify and limit demands) he may in any case demand all or only such power and authority over the money or other property as he may see fit

> without demanding any conveyance, transfer, assignment, delivery or payment of such money or other property or any other right, title, interest, or estate therein or thereto except such as may be included within the power and authority demanded in the particular case over such money or other property."

Whether or not there has been such limitation is manifestly to be determined by an interpretation of the instrument of seizure in the light of proper rules of construction applicable thereto. If thus interpreted, the seizure was so limited (as we assert) the general provision relied on by respondents becomes inoperative by the express language of the executive order itself.

Even more significant, if not conclusive, is the executive order of February 26, 1926 (R. 125-127) constituting the authority and the only authority of the Alien Property Custodian to sell to the Chemical Foundation at a private sale the patents in question at the time of their seizure and sale. This executive order dated February 26, 1919 antedated the seizure of this petitioner's patent which was made on the 22nd of March, 1919 (R. 79-80). That is to say, the subsequent seizure was made for the express purpose of effecting the sale authorized by the executive order of February 26. The authority to sell therein contained was confined to:

> "* * * all of the letters patent, trade-marks, and rights under letters patent and trade-marks, including all profits and damages recoverable at law or in equity for the past infringement thereof which the Alien Property Custodian may seize or may have seized upon the provisions of the said

> Trading with the Enemy Act and the amendments thereto now or hereafter enacted and which he from time to time shall determine relate to the objects and purposes of said The Chemical Foundation (Inc.) as expressed and defined by its charter." (R. 126.)

It will be observed that the authority so granted did not extend to every right, title and interest with respect to the patent seized but only to the patents themselves and profits and damages for past infringement. The seizure was clearly made in furtherance of the object of this particular executive order and did not include accrued royalties which are not expressly mentioned either in the executive order or the seizure itself.

Both respondents also rely in part upon a subsequent executive order dated a year later, February 13, 1920, confirming the sale already made (88-90), and upon the deed of confirmation thereunder (R. 90-96) executed March 1, 1921, nearly two years later. Whatever power was exercised prior thereto in the seizure of the patents in 1919 must obviously be determined by the action then taken and not by some subsequent recital. Moreover, the executive order in its recital of intention merely recites that it was the intention of the executive order to sell all rights "including rights to receive moneys by way of royalties * * * which the Alien Property Custodian *may have seized*" (R. 89) and confirms the sale thereof. It in no way undertakes to define the extent of the seizure accomplished by any of the numerous instruments of seizure theretofore executed. It is true that it authorizes not only the sale of such rights as may have been seized but also of such rights as the Alien

Property Custodian "may seize". No further seizure took place and the only effect of this executive order was to confirm the sale of such property and rights as had already been seized. The deed of confirmation also relied on by respondents, after containing various recitals, reads:

> "* * * do hereby for valuable consideration heretofore received by me, sell, assign, transfer, and set over to said the Chemical Foundation (Inc.), all property, including (but not thereby limiting the generality of the foregoing) letters patent, rights under letters patent and rights thereunder, copyrights, rights under copyrights, certificates of registrations thereof, the publications upon which such registrations were granted, trade-marks, rights under trade-marks, together with the good will and business pertaining thereto *including all profits and damages recoverable at law or in equity for past infringement* with respect to any and all of the foregoing, choses in action, rights, interests, and benefits under agreements, and rights and claims of every character and description with respect to all of the foregoing, *seized* by me as Alien Property Custodian, or by my predecessor in such office specifically referred to in and assigned by said assignments, *and* I do hereby confirm and ratify the sale and assignment of and do hereby sell, assign, transfer and set over to said the Chemical Foundation (Inc.), all choses in action, rights, interests, and benefits under agreements and rights and claims of every character and description growing out of and appurtenant (fol. 124) to the ownership of said property, including (but not thereby limiting the generality of the foregoing) rights to receive moneys by way of

royalties or otherwise as compensation for the use of patents, copyrights, and trade-marks, and all right, title, and interest in and to the choses in action and the funds referred to in section 10, subsection (*f*) of the 'trading with the enemy act', as amended, *acquired by the Alien Property Custodian by virtue of the seizures by which there were seized patents,* copy-rights, or trade-marks, under which a license had theretofore been granted in accordance with the provisions of section 10, subsection (*c*) of said act, as amended, all of which property I, as Alien Property Custodian, from time to time have determined and do hereby determine to relate to the objects and purposes of said the Chemical Foundation (Inc.), as expressed and defined in its charter; the intent and purpose of this instrument being to vest in said the Chemical Foundation (Inc.), every right, title, interest, claim, and demand, save such as are specifically excepted in and by the said assignments, *acquired by Alien Property Custodian by virtue of the seizures* whereby the said property was seized." (R. 94-95 italics ours.)

It will be noted that the granting clauses of this Deed of Confirmation are separated into two parts by the word "and" (italicized for convenience in the foregoing excerpt—see preceding page) appearing about midway therein and in reality consist of two separate granting clauses joined together by such word. The first granting clause preceding the word "and" is confined to a confirmation of the sale of the property and rights *seized,* while the second granting clause following the word "and" covers in addition all rights "appurtenant" to ownership which were "acquired * * * by virtue of the seizures". Al-

though the seizure of the patents did not affect a seizure of royalties theretofore accrued, it would appear to be obvious that by the seizure of the patents the Alien Property Custodian acquired the right to the royalties thereafter accruing. It is therefore significant the first granting clause preceding the word "and" specifically includes past damages for infringement as among the rights *seized,* but makes no reference to the right to royalties under the presidential licenses which are referred to only in the second granting clause following the word "and" as a right "acquired * * * by virtue of the seizures" of the patents themselves and as such conveyed. Indeed, it is referred to as a right acquired by virtue of the seizures of patents under which such presidential licenses had been issued. That is to say, the right to the royalties accruing after seizure were, in the language of this instrument, "appurtenant" to ownership of the patent and hence "acquired by virtue of the seizures". The draftsman was thus careful to distinguish between the rights *in esse* which had been seized and other rights *in futuro* acquired through seizure.

If the right to the accrued royalties was among the rights seized and thus conveyed by the first of the granting clauses employed, specific reference thereto in the second clause was wholly superfluous. If, on the other hand, the purpose of the second clause, instead of being (as on its face appears) to convey rights thereafter flowing from the ownership of the property seized, was merely to convey additional rights seized, the language employed was certainly inapt for the purpose. The language employed is wholly inconsistent with the theory

now advanced and evinces a clear understanding on the part of the Alien Property Custodian at the time that by the seizure of the patent he only came into possession of the right to subsequently accruing royalties. The recital in the executive order which preceded this conveyance "the public interest will be best served by the elimination of any enemy interest adverse to American citizens arising by reason of said choses in action, or rights, interests * * * " (R. 90) is without significance, since the rights so referred to are thereinbefore identified as those which the Custodian "may seize or may have seized". As previously stated, there was no further seizure and the contention that the deed of confirmation, without further demand or seizure, amounted in law to an additional seizure of the royalties accrued prior to seizure is without legal support and is wholy inconsistent with the words and structure of its granting clauses quoted above. Singly and collectively this series of executive orders and instruments of conveyance confirm the contentions made in our opening brief that the right to recover royalties for the use of the patents up to the time of seizure were never seized and hence remained with the former German owners.

Respectfully submitted,

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